

Governing Competitive Retail Energy Markets - A New York Status Report

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*Illinois Commerce Commission Electric Policy Meeting
Chicago, IL – October 2, 2006*

The New York State Public Service Commission

- The Commission regulates the state's electric, gas, steam, telecommunications, and water utilities, as well as oversight of the cable industry.
- The Commission consists of up to five members, each appointed by the Governor and confirmed by the State Senate for a term of six years or to complete an unexpired term of a former Commissioner.
- One member of the Commission is appointed Chairman (William Flynn) by the Governor.
- The Commission oversees 8 major gas and electric companies with 6.4 million electric customers and 4.6 million gas customers.

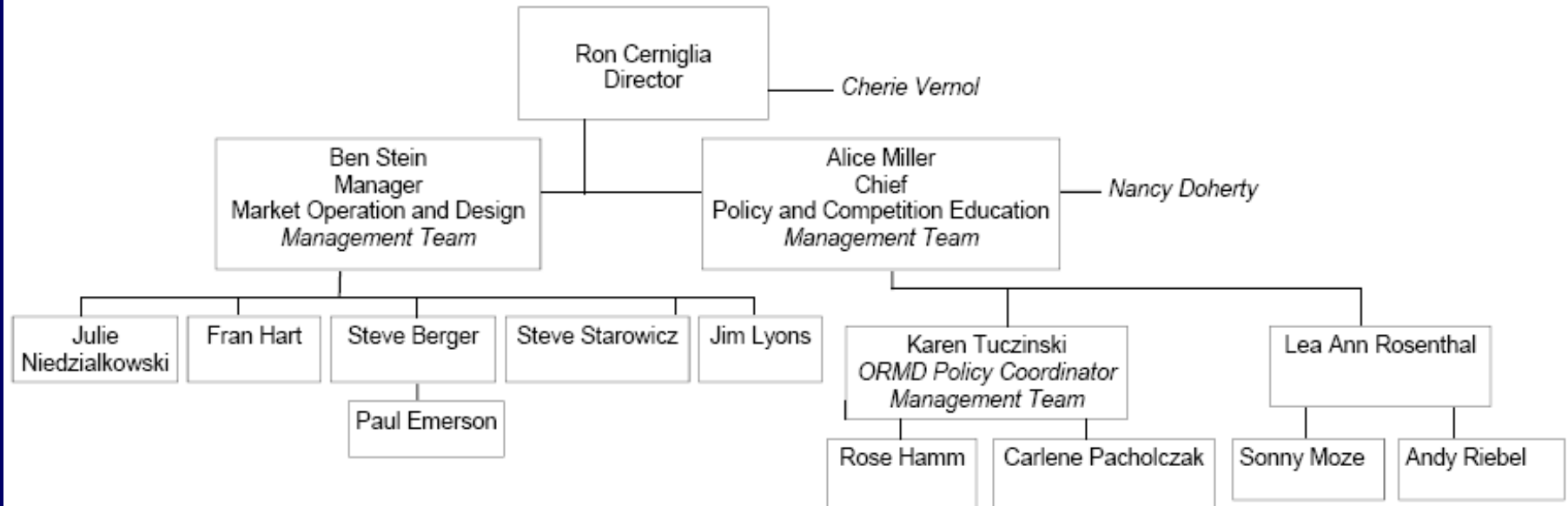
The New York State Department of Public Service

- The Department has 530 employees allocated within the following offices:
- Office of Accounting and Finance
- Office of Administration
- Office of Hearings and Alternative Dispute Resolution
- Office of Telecommunications
- Office of Retail Market Development
- Office of Economic Development and Policy Coordination
- Office of Consumer Services
- Office of Electricity and Environment
- Executive Office
- Secretary to the Commission
- Office of Gas and Water
- Office of General Counsel
- Office of Regulatory Economics

Office of Retail Market Development

Vision: Develop robust, competitive retail energy markets.

Mission: We will promote development of retail competition for commodity services in the electric and natural gas industries by eliminating barriers that prevent the market from functioning optimally, providing information that customers need to make informed choices, and monitoring and enforcing consumer protections.



Representative Activities

- Competitive Metering
- Meter Service Providers/Meter Data Services Providers (MSP/MDSP) Certification
- Dispute Resolution
- Electronic Data Interchange
- Home Energy Fair Practices Act (HEFPA)/686
- Uniform Business Practices (UBP)
- Energy Services Company (ESCO) Oversight
- Market Monitoring
- Cost Unbundling and Bill Format Proceeding
- Customer Choice Outreach
- Green Power
- Customer Aggregation
- Retail Access Plan Review
- Policy Coordination
- Competition Issues in Rate Cases
- Broadband over Power Lines

July 5, 2006

The Path to Our Vision for the Future

- Policy Statement issued August 25, 2004 outlined the Commission's end state vision of electric and gas retail markets and contained the following:
- Vision
 - “The provision of safe, adequate, and reliable gas and electric service at just and reasonable prices is the primary goal. ***Competitive markets, where feasible, are the preferred means of promoting efficient services, and are well suited to deliver just and reasonable prices, while also providing customers with the benefit of greater choice, value, and innovation.*** Regulatory involvement will be tailored to reflect the competitiveness of the market”

The Path to Our Vision for the Future

- August 25, 2004 Policy Statement outlined the Commission's end state vision of retail markets. The Commission directed the utilities to file Retail Access Plans for approval, incorporating the following Commission recommendations:
 - Eliminate barriers to market entry by ESCOs
 - Utility purchase of ESCO accounts receivable ✓
 - Statewide use of Marketer Referral Programs ✓
 - Large Scale Retail Auctions / Outsourcing
 - Market Match / Market Expo / Energy Fairs ✓
 - Affinity Group Aggregation ✓
 - Coordinated Utility/ESCO/PSC Education and Marketing Campaign ✓
 - Utility Portfolio Management and Pricing
 - Monitoring the Market for Anti-Competitive Behavior ✓
- Process methods for program implementation:
 - Utility Retail Access Plan filings followed by a collaborative process
 - Rate case proceedings

Competitive Markets: Methods to Foster Migration

➤ **Utility Purchase of ESCO Accounts Receivable**

- Critical element of Switch and Save Program, but may also be used on its own
- Utility purchases receivables at a discount, and utility administrative fee agreed to, by the parties
- Utility bills customer for ESCO
- ESCO receives payment from utility, minus discount, utility administrative costs
- ESCO avoids revised NYS Home Energy Fair Practices Act (HEFPA) legislation requirements re: shutoffs
- Reduces ESCO back office (customer care) and overhead costs

Competitive Markets: Methods to Foster Migration (continued)

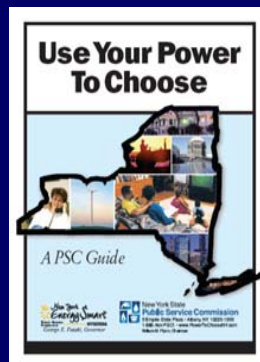
➤ ESCO / Marketer Referral Program

- ESCO provides guaranteed savings (7%) for two months for customers that sign up for the program.
- Utility customers contact the utility call center; representatives offer program. Customer is either assigned at random to a participating ESCO or can choose a participating ESCO directly.
- Utility handles enrollment and switching
- Easy way for ESCOs to acquire customers, but requires supportive utility management and call center readiness
- Has shown success – residential switching of almost 40%
- Recommended state-wide implementation (Con Ed, O&R, Central Hudson, National Grid, NFG thus far)

Competitive Markets: Methods to Foster Migration (Continued)

- Utility Portfolio Management and Pricing
 - More exposure to market-based rates for large non-residential customers (500kW and above) through declining hedges
 - PSC Order expanding hourly pricing tariffs for all utilities
 - Long term contracts only on a case by case basis
 - No future fixed price commodity offers through utility
 - Exceptions: NYSEG, RG&E (through 2007 – 2008)
 - Utility economic development rate discounts only on delivery portion of bill

New York State Public Service Commission and Utility Consumer Education Efforts - Competition and Green Power





New York State
Public Service Commission
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Three Empire State Plaza, Albany, NY 12223
William M. Flynn, Chairman

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Residential Electricity Offers for GLENMONT, NY

12077

Update

Prices can vary significantly from month to month due to market conditions and weather. In addition, new offers are constantly being added to the list of options. Many of these offers include value added services, such as fixed prices (the rate per kwh, ccf, or therm is the same each month), green power (electricity generated from renewable resources such as wind, solar, or hydro), furnace repair service, or telephone service bundled with your energy bill. Check the comments column for information on these value added services. If you do not see an offer that interests you, try again next month. [Click here for full Disclaimer](#)

[View Supplier/ESCO Contact Information](#)
[Energy Efficiency Providers](#)
[Alternative Energy Providers](#)

If this is not your utility, select the correct one.

National Grid (formerly Niagara Mohawk)

Update

Estimates are based on monthly Electricity bills for a typical home in your ZIP Code. [Go to bottom to compare using your bills](#)

Electricity

Natural Gas

Sign Up	Supplier Offer	Current Month Cost	Min. Term (Mo.)	Eco Info	Comments	Rates
Sort	Sort	Sort	Sort	Sort		
	National Grid - Capital Utility Rate	\$86	1		This is the basis for comparison. Rate varies monthly. Rates displayed are for September 2006. View Historical Rates . The ESCO's in bold have signed the Statement of Princip	\$0.08316/kWh
	Accent Energy <i>Accent Fixed Rate</i>	\$101	12		Participates in the New Choices program. Our Fixed Rate Plan protects Consumers from wildly fluctuating electricity prices. For today's rate and to sign up, contact us at our toll free number or via our website accentenergy.com .	\$0.116/kWh
	Accent Energy <i>Accent Variable Rate</i>	Variable	24		Participates in the New Choices program. For today's rate and to sign up, contact us at our toll free number or via our website accentenergy.com .	Variable
	Advantage Energy <i>Electricity</i>	n/a	1		This ESCO has declined requests to provide pricing information that would assist in comparing offers.	n/a



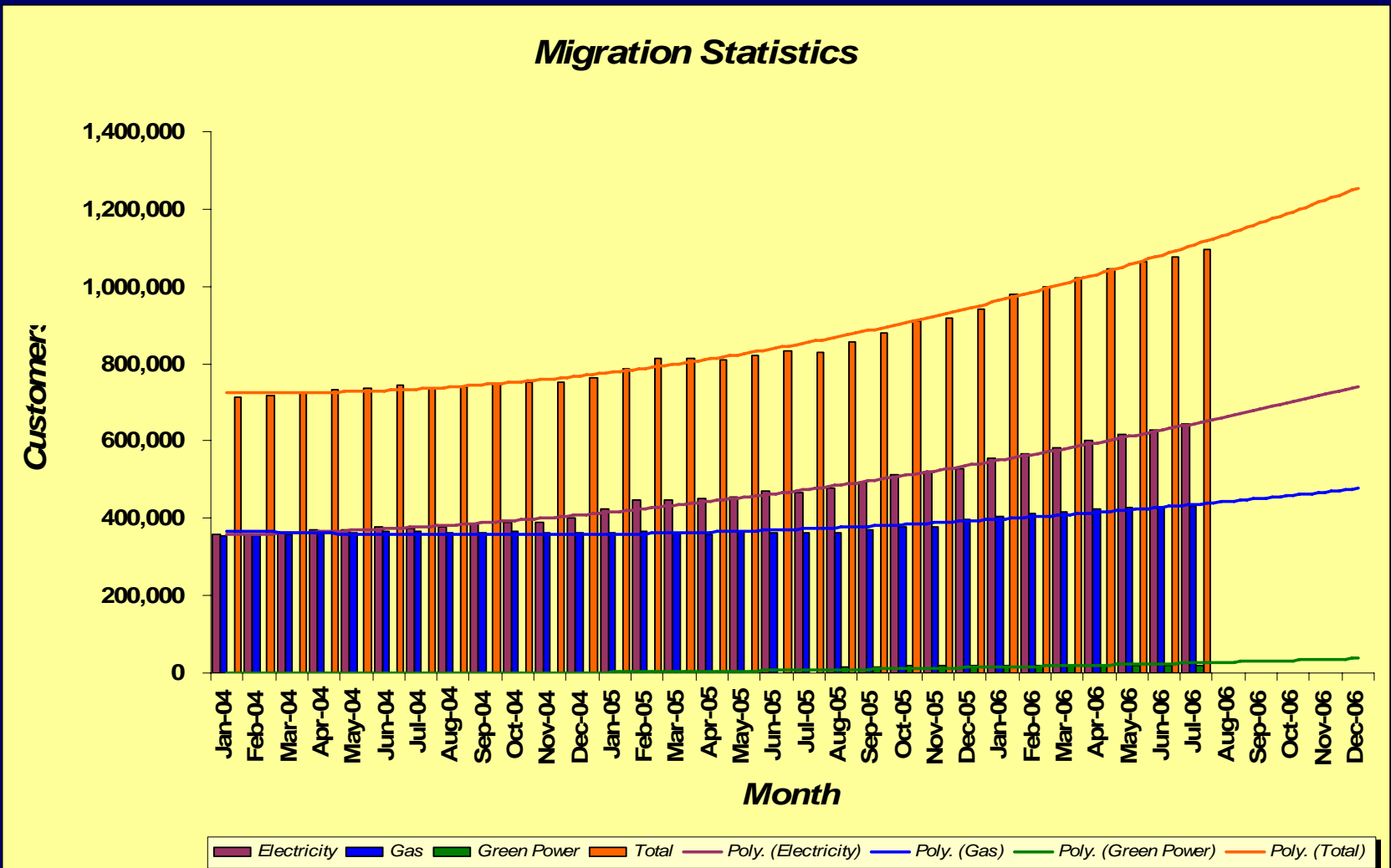
Internet

Retail Access in NY is Continuing to Make Steady Progress

- Approximately 1.1 million customers are purchasing their energy supply from ESCOs.
- Nearly 100% of the state's largest gas customer load and 77% of the large commercial and industrial electricity load being supplied by ESCOs.
- Success in the small customer market, highlighted by Orange and Rockland's territory which has achieved migration levels of approximately 30% for electric and 38% for natural gas residential and small business customers.
- ESCO Community is growing...There are approximately 100 approved ESCOs, with 75 ESCOs providing electricity and/or gas to customers.
- There are at least eight ESCOs serving electricity and ten ESCOs serving gas in every major service territory in NY. Most service territories have many more.
- Pricing offers available include fixed, capped, indexed, seasonal, variable (hourly), and blended
- Value added services are beginning to be provided by ESCOs (e.g., green power, bundled electric/gas/oil service, energy efficiency, demand reduction, appliance service contracts)

Retail Access in NY is Continuing to Make Steady Progress (continued)

Customer migration metrics have been increasing, particularly in 2005 and 2006, for both electricity and natural gas



Retail Access in NY is Continuing to Make Steady Progress (Electric)

As of July 2006, a total of 645,000 customer accounts, representing the following percentage of electric customers, have migrated to an ESCO:

- 55% of large commercial / industrial customers (77% of load)
- 20% of small commercial / industrial customers (48% of load)
- 8% of residential customers (10% of load)
- 10% of total customers (40% of load)

An additional 20,000 customers are purchasing “green power” through green power providers, representing 23,000 mWhs.

Number and Percent of Migrated Customer Accounts by Utility

	<u>Number</u>	<u>Percent</u>
Orange & Rockland	66,000	30
RG&E	77,000	22
Con Edison	277,000	9
NYSEG	79,000	9
National Grid / NMPC	141,000	9
CHG&E	4,500	2

Retail Access in NY is Continuing to Make Steady Progress (Gas)

As of June 2006, a total of 430,000 customer accounts, representing the following percentage of gas customers have migrated to a marketer:

- 43% of large non-residential customers (94% of load)
- 18% of all non-residential customers (35% of load)
- 9% of residential customers (12% of load)
- 9% of total customers (70% of load)

Number and Percent of Migrated Customer Accounts by Utility

	<u>Number</u>	<u>Percent</u>
O&R	47,000	38
Corning	3,700	25
RG&E	48,000	16
National Grid / NMPC	68,000	12
NFG	56,000	11
CHG&E	6,800	9
Con Edison	101,000	9
KeySpan (NY)	67,000	6
KeySpan (LI)	27,000	5
NYSEG	6,400	3

Challenges Facing the Retail Energy Industry and Closing Thoughts

- Increase our collective competition awareness efforts to allow customers to make an informed choice
- Regulators and utilities need to remove barriers to entry and level the playing field for market participants
- Regulators should establish the “right” utility commodity price (e.g., default, price to beat)
- ESCO’s offering electric and/or gas fixed price products need to ensure that early termination fees are more easily understood by customers
- The ESCO community needs to provide and/or expand “Value Added Services” to the mass market
- The ESCO community needs to be a more effective advocate on behalf of competitive markets

For More Information

Visit our Web site: www.PowerToChooseNY.com

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